Project A

The market price of an iPad is determined by market demand and supply, where the market demand equals to the market supply, known as market equilibrium. At this price, consumers are willing and able to buy exactly the same amount of product that firms are willing and able to supply. This works through the price mechanism where consumers and businesses interact to determine allocation of resources between competing uses. Prices of iPads are determined automatically by demand and supply forces. At prices below equilibrium, quantity of iPads demanded exceeds quantity supplied, resulting in a shortage which puts an upward pressure on the price as the consumers are now willing to offer a higher price. A prices above equilibrium, there is a surplus, which puts a downward pressure on the price.

Related products of the iPad are complements and substitutes. Complements are goods that are used jointly together to satisfy particular wants. Complements of iPad include iPad covers, earphones, and keyboard and camera connection kit. These related complements’ prices do affect demand for iPads to a certain extent. For example, an increase in price of the complements leads to a decrease in demand for iPads, while a decrease in price of complements increases the demand for iPads.

Substitutes of iPads include Samsung Galaxy Tab (SGT), LG Optimus Pad etc. They are related as they are in competition with the iPads. A fall in price of SGT will lead to a rise in quantity demanded for SGT but a fall in demand for iPads, as it satisfies similar wants or needs as the iPad; an increase in price of SGT will lead to a decrease in quantity demanded for SGT but an increase in demand for iPads. Therefore, when demand for iPads falls, there is a surplus, putting a downward pressure on the price of the iPad. Likewise, when demand for iPad rises, there is a shortage, putting an upward pressure on the price of the iPad.